



Chicago Teachers' Pension Fund

CHICAGO TEACHERS' PENSION FUND

ANNUAL REPORT TO GOVERNOR

DECEMBER 31, 2009



Chicago Teachers' Pension Fund

203 North La Salle Street, suite 2600 Chicago, Illinois 60601-1231

December 30, 2009

Governor Patrick Quinn
207 State House
Springfield, IL 62706

Re: Annual Diversity Report

Dear Governor Quinn,

Illinois Compiled Statutes, 40 ILCS 5/1-109.1 (4) - (7) establishes the public policy of the State of Illinois to encourage the trustees of public pension funds to utilize emerging investment managers in managing their system's assets, and increase the racial, ethnic and gender diversity of its fiduciaries.

Commitment to Diversity:

CTPF has historically demonstrated its commitment to diversity and has been at the forefront among state pension funds and retirement systems in assuring access and opportunities to minorities and women. CTPF supports the public policy considerations of (Public Act 96-0006) codified at, 40 ILCS 5/1-109.1. Accordingly, CTPF established a comprehensive Diversity Policy which broadly encompasses diversity considerations in the utilization of investment professionals, fiduciaries, consultants and recruitment of staff, and sets specific goals to be reviewed annually.

Annual Report:

Illinois Compiled Statutes, 40 ILCS 5/109.1 (8) requires this report to be submitted to the Governor and the General Assembly by January 1 and that it include:

- (i) The policy adopted under 40 ILCS 5/109.1(4) including the names and addresses of the emerging managers used, the percentage of the assets under the control of the emerging managers for the 3 separate required goals; and actions undertaken to increase the use of emerging managers;
- (ii) The policy adopted under 40 ILCS 5/109.1(5) setting forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries including consultants and senior staff;*

BOARD OF TRUSTEES

John F. O'Brill
president
Linda S. Goff
vice president

Lois Nelson
financial secretary
Maria J. Rodriguez
recording secretary

Lois W. Ashford
Alberto A. Carrero, Jr
Peggy A. Davis
Chris N. Kolis

Walter E. Pilditch
Mary Sharon Reilly
Jay C. Rehak
James F. Ward

Kevin B. Huber
executive director



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(iii) The policy adopted under 40 ILCS 5/109.1(6), setting forth goals for the utilization of businesses owned by minorities, females and persons with disabilities for all contracts and services; and

(iv) The policy adopted under 40 ILCS 5/109.1 (7) setting forth goals for increasing the utilization of minority broker-dealers.

This report includes the information required by law.

*The underlying procedures and guidelines and quantifiable goals for increasing the racial, ethnic, and gender diversity of fiduciaries, consultants, and senior staff will be presented to the Board of Trustees for formal approval at its January 21, 2010, meeting. That information is included herein for completeness.

Please accept this report of the Public School Teachers' Pension and Retirement Fund of Chicago.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin B. Huber', is written over the typed name.

Kevin B. Huber
Executive Director

Enclosures

cc: President of the Senate – Honorable John J. Cullerton
Chairman of Senate Select Committee – Honorable Kwame Raoul
Speaker of the House – Honorable Michael J. Madigan
Senate Minority Leader – Honorable Christine Radogno
House Minority Leader – Honorable Tom Cross

KBH:pah



Chicago Teachers' Pension Fund

CHICAGO TEACHERS' PENSION FUND
MANAGER GUIDELINES AND RESULTS

DECEMBER 31, 2009

During the 2009 FY, Chicago Teachers' Pension Fund continued to encourage diversity in the investment arena through the Fund's inclusion of WMDBE business enterprise in its investment program and enforcement of the Fund's MWDBE broker/dealer policy.

Some of the ways the Fund has continued to encourage diversity in the investment field during FY 2009 include:

- ***Continuing to expand the list of CTPF approved MWDBE brokerage firms, during FY three new broker dealers were added to the list of approved brokerage firm.***
 - ***Giving an additional \$70M to the Fund's manager of managers programs***
 - ***Giving additional assets to a minority owned passive equity manager***
- ***Graduating two emerging managers from the manager of managers programs to direct mandates (totaling \$100M)***
- ***Adding MAGNA Capital Management, an African American owned, transition manager to the Fund's approved transition managers list.***
 - ***Continuing the Fund's First Friday Meeting where unfunded managers have the opportunity to present their service(s) to CTPF Trustees, Staff and Consultants.***
- ***Amended the Fund's brokerage policy to include no step outs for domestic and fixed income trades and mandate 50% of international equity traded directly, effective 1/1/10***



Chicago Teachers' Pension Fund

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO DIVERSITY POLICY

MWDBE Investment Goals and Guideline

CTPF is committed to diversity in the investment management arena; in light of this commitment the Board of the Trustees has established the following brokerage and inclusion policies.

MWDBE Investment Manager Usage Goals

- A minimum of **20% of the Fund's total assets** to be invested with MWDBE managers
- A minimum of **25% of the Fund's active assets** to be invested with MWDBE managers
- A minimum of **30% of the Fund's equity assets** to be invested with MWDBE manager, of this percentage:
 - a minimum of **25% to be invested with Minority** owned investment managers
 - a minimum of **5% to be invested with Female** owned investment managers
 - a minimum of **0% to be invested with disabled** owned investment managers
- A minimum of **15% of the Fund's fixed income assets** to be invested with MWDBE manager, of this percentage:
 - a minimum of **12% to be invested with Minority** owned investment managers

- a minimum of **3% to be invested with Female** owned investment managers
- a minimum of **0% to be invested with disabled** owned investment Managers
- A minimum of **10% of the Fund's alternative assets** to be invested with MWDBE manager, of this percentage:
 - a minimum of **10% to be invested with Minority** owned investment managers
 - a minimum of **0% to be invested with Female** owned investment managers
 - a minimum of **0% to be invested with disabled** owned investment managers

These goals and guidelines are subject to change based on the in/decrease of MWDBE investment managers that could feasibly maintain a direct mandate from the Fund. This policy is to be re-examined yearly.

MWDBE Brokerage Goals

- **50% of trades (commission dollars) executed by the Fund's large cap and mid cap** managers must be executed with MWDBE brokers on the approved broker list provided by the Fund. 100% of these trades must be done via direct trading relationships (i.e. no correspondence, step-outs, etc).

- **35% of trades (commission dollars) executed by the Fund's small cap managers** must be executed with MWDBE brokers on the approved broker list provided by the Fund. 100% of these trades must be done via direct trading relationships (i.e. no correspondence, step-outs, etc).

- **25% of trades (commission dollars) executed by the Fund's international equity managers** must be executed with MWDBE brokers on the approved broker list provided by the Fund. 50% of these trades must be done via direct trading relationships (i.e. no correspondence, step-outs, etc).

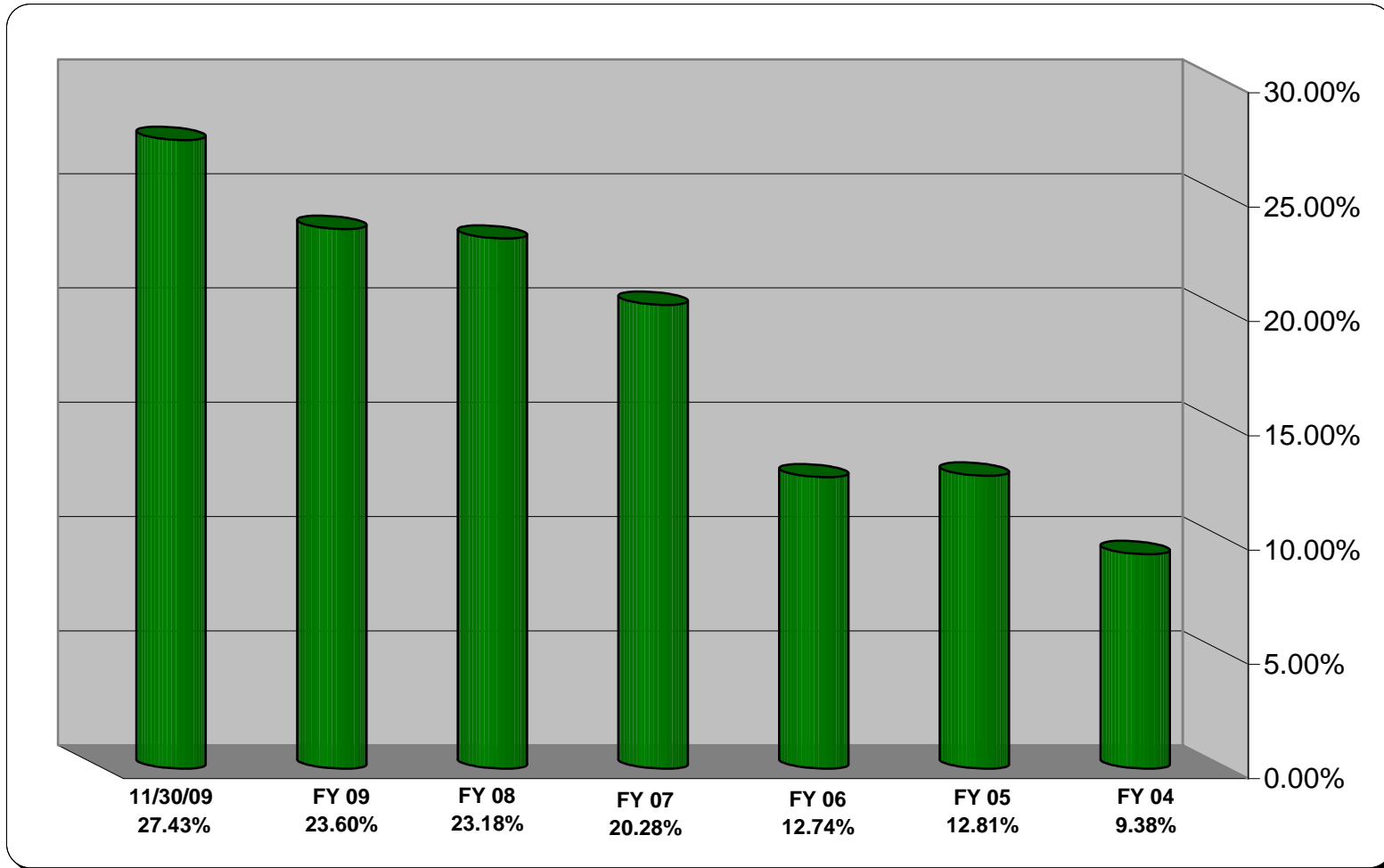
Investment Goals and Guidelines

- **25% of trade volume executed by the Fund's fixed income managers** must be executed with MWDBE brokers on the approved broker list provided by the Fund. 100% of these trades must be done via direct trading relationships (i.e. no correspondence, step-outs, etc).

Managers are to submit quarterly brokerage reports to the Fund staff. Managers who fail to meet the Fund's brokerage requirements on a yearly basis will be asked to appear before the Board to explain why they have not met the requirements.

Revised 11/2009

Total Fund Diversity Growth 2004-Nov. 2009



Investment Management Diversity

for Fiscal Year 2009

Investment Managers Goals

25% of the Fund's actively managed assets are to be invested with MWBE managers, of this overall goal:

15% of private equity assets are to be managed by MWBE managers

15% of Real Estate assets are to be managed by MWBE managers

FY 2009 MWDBE

Investment Manager Usage

As of June 30, 2009, 24% of the Fund's total assets (excluding cash) were managed by certified MWDBE investment manager

As of June 30, 2009, 25% of the Fund's total active assets were managed by certified MWDBE investment manager.

15% of the Fund's total private equity assets were committed to MWDBE managers, 12% of the Fund's private equity assets are currently managed by MWDBE managers

9% of the Fund's total real estate assets were committed to MWDBE managers, 9% of the Fund's real estate assets are currently managed by MWDBE managers.

Investment Management Diversity

Year-to-Date 2009

Investment Managers Goals

20% of the Fund's total assets and 25% of all actively managed assets are to be invested with MWDBE firms, of this overall goal:

30% of the Fund's equity assets are to be managed by MWDBE managers

15% of the Fund's fixed income assets are to be managed by MWDBE managers

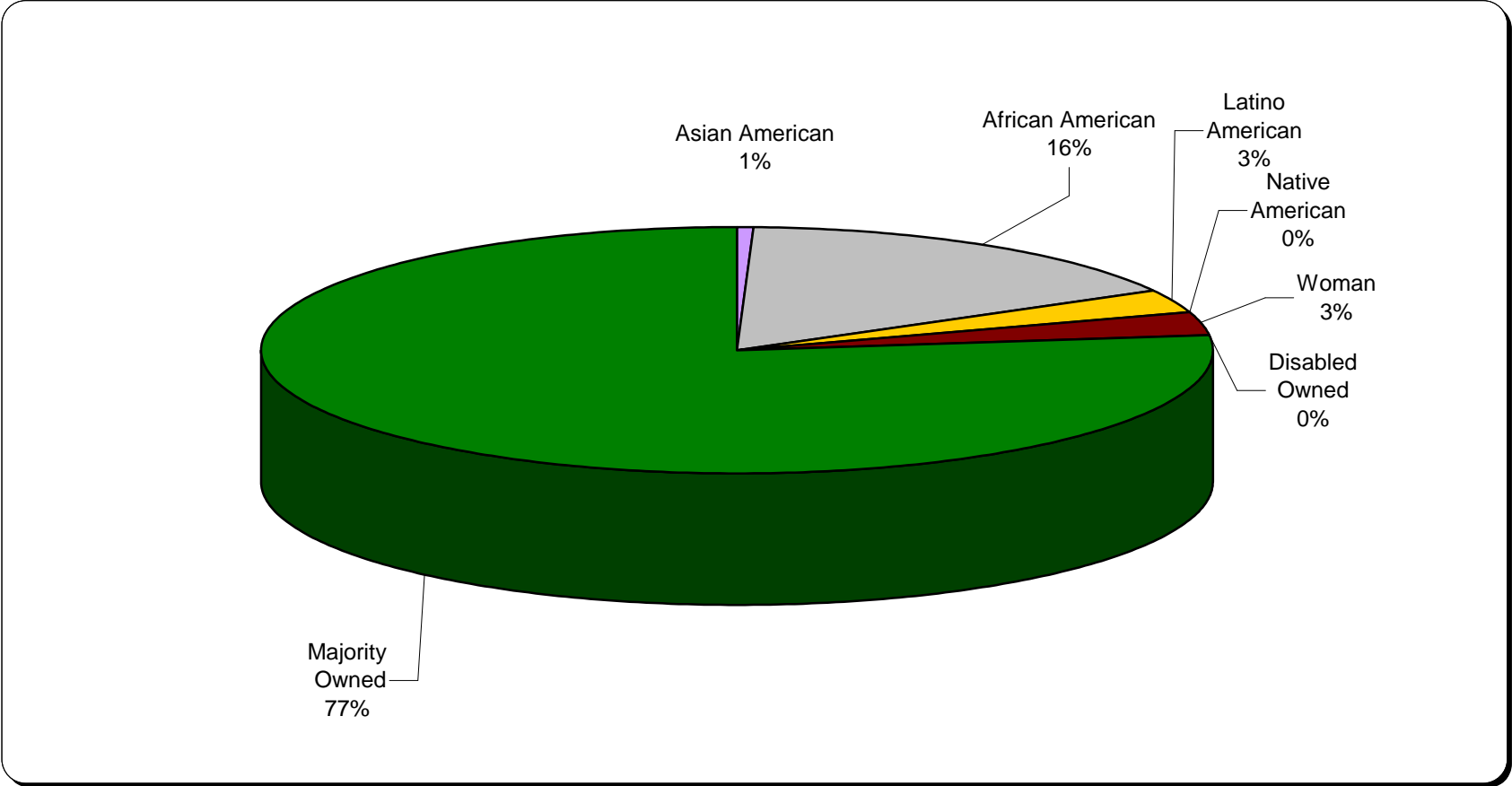
10% of the Fund's alternative assets are to be managed by MWDBE managers

YTD 2009 MWDBE Investment Manager Usage

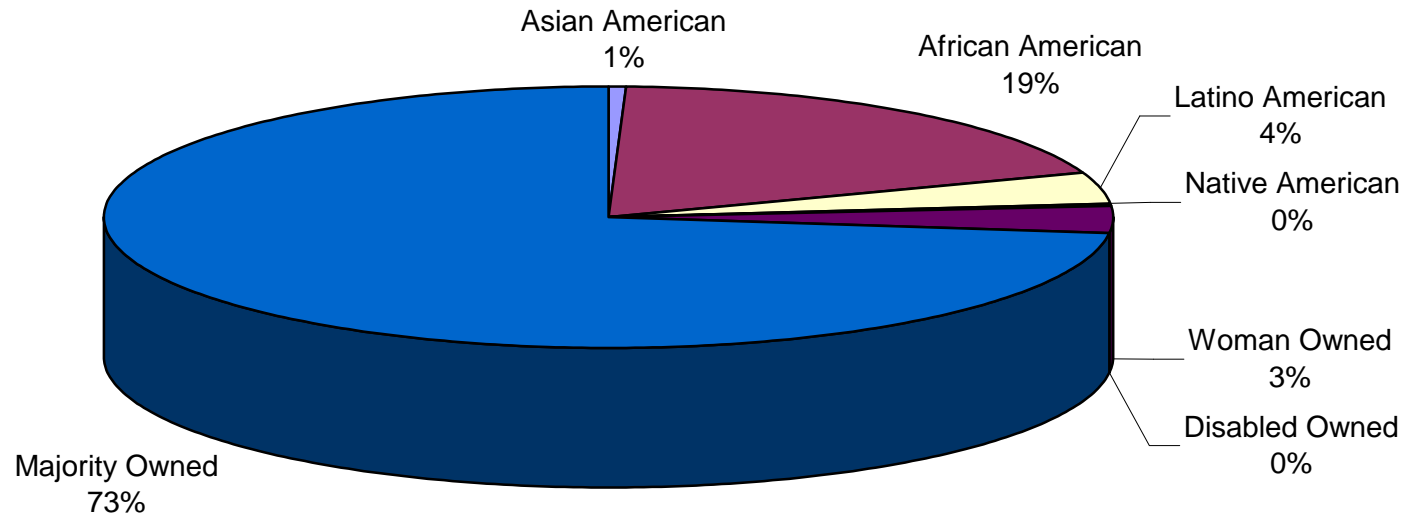
As of November 30, 2009:

- 27% of the Fund's total assets were managed by certified MWDBE investment manager
- 29% of the Fund's actively managed assets were invested by MWDBE firms
- 39% of the Fund's equity assets were managed by MWDBE firms
- 8% of the Fund's alternative assets were managed by MWDBE firms
- 2% of the Fund's fixed income assets were managed by MWDBE firms

As of 06/30/09, 23% or \$1.93B of the Fund's assets were managed by MWDBE Investment Managers



As of 11/30/09, 27% or \$2.45B of the Fund's assets were managed by MWDBE Investment Managers



Chicago Teachers' Pension Fund MWDBE Investment Managers as of 11/30/09

| Total Fund Value | 9,113.23 | 8,367.07 | 11,443.60 | 12,757.50 | 11,384.30 | 10,823.60 | 10,313.70 |
|-----------------------------|-------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Manager | 11/30/2009 | 2009 | 2008* | 2007* | 2006* | 2005* | 2004* |
| Adelante | \$ 44,588.00 | 33,987 | 73.6 | 49.8 | 51.8 | - | - |
| Affinity | - | - | - | 17 | - | - | - |
| Apex | 36,158 | 30,593 | 33.5 | 32.8 | 27.7 | 22.3 | 0 |
| Ariel | 160,852 | 119,604 | 168.8 | 237.9 | 199 | 239 | 345.5 |
| Ativo Capital | 20,897 | 16,782 | 22.9 | 16.7 | - | - | - |
| Atlanta Life | 71,712 | 59,163 | 75.6 | 65.7 | - | - | - |
| Attucks | 55,415 | 62,998 | - | - | - | - | - |
| Brown Capital | 15,472 | 12,844 | 13.6 | 16.9 | - | - | - |
| Campbell Newman | 7,615 | 6,315 | - | - | - | - | - |
| Capri (\$45 million) | 5,920 | 13,403 | 25 | 21.8 | 17.6 | 21.4 | 21.2 |
| Channing | 60,345 | 50,080 | 21.3 | 29.7 | 22.3 | 19.6 | - |
| Credo | 55,448 | 49,975 | 17 | 6.4 | 3.1 | - | - |
| Decatur Capital | 11,401 | 9,745 | 0 | 0 | - | - | - |
| Denali | 19,406 | 16,278 | 15.4 | 17.9 | 15.2 | 14 | - |
| DV Urban (\$25 million) | 13,759 | 8,013 | 4.9 | 3.5 | 0 | 0 | - |
| Earnest Partners | 171,380 | 70,453 | 104.1 | 108.4 | 0 | 0 | - |
| EDMP | - | - | - | - | 12.1 | 11.7 | - |
| Fortaleza | 16,475 | 14,464 | 22.9 | 24.2 | 20.9 | 25.7 | - |
| GlobeFlex Capital | 14,772 | 13,051 | 21.1 | 23.6 | - | - | - |
| GW Capital | 7,847 | 6,579 | 5.8 | 6.7 | - | - | - |
| High Pointe | - | - | - | - | 32.8 | 24.6 | - |
| Hispania (\$15 million) | 1,038 | 1,044 | 0.2 | 1.2 | 1.1 | 0.6 | - |
| Holland | 124,023 | 103,125 | 134.6 | 142.3 | 123.9 | 122 | 121.8 |
| Hoover | - | - | 2.8 | 4.7 | 7.8 | 0 | - |
| Howland | - | 2,161 | 18.7 | 21.3 | 18 | 12.8 | - |
| ICV Capital (\$7.5 million) | 3,100 | 3,328.00 | 1.3 | 0.8 | 0.6 | 0 | - |
| Kenwood | - | - | 0 | 8.6 | 7.4 | 40.9 | - |
| LM Capital | 102,760 | 64,929 | 63.9 | 62.3 | 61.6 | 65 | - |
| Locke Capital | 16,146 | 14,934 | 25.8 | 27.3 | 0 | 0 | - |
| Lombardia | 181,329 | 109,250 | 164.7 | 191.1 | 62.7 | 55.4 | - |
| Lynmar Capital | 80,077 | 68,340 | 106.4 | 57.5 | 43.6 | 12.9 | - |

| Manager | 11/30/2009 | 2009 | 2008* | 2007* | 2006* | 2005* | 2004* |
|----------------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| MarVista Capital | 41,402 | 34,565 | - | - | - | - | - |
| Matterhorn | 2,597 | 2,352 | - | - | - | - | - |
| Muller and Monroe (\$35 million) | 8,099 | 10,662 | 8.8 | 4.5 | 2.5 | 0.7 | - |
| NCM Capital | 4,756 | 3,926 | 5.9 | 14.5 | 11.4 | 9.5 | - |
| Needleman | - | - | 0 | 5.1 | 0 | 0 | - |
| New Amsterdam | 211,102 | 185,827 | 255.9 | 294.7 | 258.1 | 246.3 | 219.9 |
| Nicholas | 4,799 | 3,892 | - | - | - | - | - |
| Opus | - | - | 4.6 | 4.2 | 4.8 | 9.9 | - |
| Palisades | 19,064 | 15,903 | 37.2 | 49.1 | 9.3 | 0 | - |
| Palladium (\$7.5 million) | 3,726 | 3,459 | 3.1 | 2.9 | 1.2 | 0 | - |
| Paradigm | 19,770 | 17,133 | 23.6 | 28 | 7.7 | 0 | - |
| Pharos (\$7.5 million) | 6,051 | 5,723 | 3.9 | 3.2 | 2.1 | 0 | - |
| Piedmont | 123,490 | 104,313 | 153.8 | 118.4 | 39.6 | 36.5 | - |
| Piedra | - | - | - | 14.9 | 12.1 | 19.1 | - |
| Profit | 18,685 | 15,723 | 40 | 39.9 | 39.3 | 44.7 | - |
| Progress | 229,035 | 37.7 | - | - | - | - | - |
| Redwood Investments | 14,125 | 12,187 | 14.2 | - | - | - | - |
| RhumbLine | 664,460 | 562,713 | 701.4 | 504.1 | - | - | - |
| Rutland | - | - | 8.4 | 9.7 | 8.4 | 8.3 | - |
| Smith Graham | - | - | - | 62.6 | 62.1 | 65.6 | 63.9 |
| Syncom (\$7.5 million) | 3,093 | 2,809 | 1.4 | 0.7 | 0 | 0 | - |
| Taplin, Canida & Habacht** | - | - | 115.9 | 119.7 | 119.1 | 123.9 | - |
| UIM | 6,628 | 6,085 | - | - | - | - | - |
| Union Heritage | - | - | - | - | - | 8.6 | - |
| Urban America (\$25 million) | 12,387 | 16,008 | 9.3 | 3.6 | - | - | - |
| Woodford | - | - | - | - | - | - | - |
| Zenna Financial | - | - | - | - | 53.9 | 50.5 | - |
| Zevenbergen | 65,969 | 53,169 | 68.4 | 71.5 | 59.4 | 52.7 | 51.8 |
| Total | 2,450.28 | 1,931.81 | 2,599.70 | 2,547.40 | 1,420.20 | 1,364.20 | 952.4 |
| % of Total Fund | 27.49% | 23.60% | 23.18% | 20.28% | 12.74% | 12.81% | 9.38% |
| % of Active Mgrs | 29.48% | 25.12% | 25.55% | 23.70% | 19.73% | 20.24% | 15.57% |

*Reported in MM

**Taplin, Canida & Habacht was purchased by a majority owned firm in 2009

***Amounts are indicated in thousands

Broker Diversity

Brokerage Goals

Active Domestic Large and Mid Cap Equity

50% of trades must be executed with MWDBE Brokerage firms approved by CTPF; 100% of these trades must be executed via a direct trading relationship

Active Domestic Small Cap and Passive Equity

35% of trades must be executed with MWDBE Brokerage firms approved by CTPF; 100% of these trades must be executed via a direct trading relationship

Fixed Income

25% of trades must be executed with MWDBE Brokerage firms approved by CTPF; 100% of these trades must be executed via a direct trading relationship

International Equity

25% of trades must be executed with MWDBE Brokerage firms approved by CTPF; 50% of these trades must be executed via a direct trading relationship



Chicago Teachers' Pension Fund

CHICAGO TEACHERS' PENSION FUND

MANAGER LISTING

DECEMBER 31, 2009

All Cap/Manager of Managers

Zevenbergn Capital Investment, LLC

Ms. Lisa Foley, Managing Director
601 Union Street, Suite 4600 Seattle, WA 98101
(206) 682-8469: Office
foley@zci.com
www.zci.com

Attucks Asset Management, LLC

Mr. Lesile F. Bond, President/CEO
321 North Clark Street, Suite 850
Chicago, IL 60654
(312) 422-9900:Office
les@attucksfunds.com
www.attucksfunds.com

Progress Investment Management

Mr. Ceasar Gonzalez, Jr., Sr. Vice President
33 New Montgomery Street, 19th Floor
San Francisco, CA 94105
(415) 512-3480:Office
cgonzales@progressinvestment.com
www.progressinvestment.com

Mid Cap

Channing Capital Management

Rodney Herenton, Director of Client Services
10 South LaSalle Street, Suite 2650
Chicago, IL 60603
(312) 223-0211:Office
rherenton@channingcapital.com
www.channingcapital.com

Credo Capital Management

Mr. Tedd Alexander, President/CEO
225 E. Redwood Street, 2nd Floor
Baltimore, MD 21202
(410) 244-6200:Office
tedd@credocm.com
www.credocm.com

Small Cap

Ariel Capital Management

Melody Hobson, President
200 E. Randolph Drive, Ste 2900
Chicago, IL 60601
(312) 726-0140:Office
mhobson@arielinvestments.com
www.arielinvestments.com

Large Cap

Holland Capital Management

Ms. Monica Walker, President
1 N Wacker Drive, Suite 700
Chicago, IL 60606
(312) 553-4831:Office
mwalker@hollandcap.com
www.hollandcap.com

Lombardia Capital Partners

Ms. Cindy Lim, Director of Client Service
55 South Lake Street, Suite 750
Pasadena, CA 91101
(626) 568-2792:Office
clim@lombardiacapital.com
www.lombardiacapital.com

Lynmar Capital Partners

Mr. Keith Graham, Executive Vice President
401 Route 73 North
Marlton, NJ 08053
(856) 988-0140:Office
kgraham@lynmarcap.com
www.lynmarcap.com

New Amsterdam Partners

Michelle Clayman, Managing Partner & CIO
475 Park Avenue South
New York, NY 10016
(212) 689-1500:Office
mclayman@napllc.com
www.napllc.com

Piedmont Investment Advisor, LLC

Clarissa Parker, Vice President
411 West Chapel Hill Street, Suite 1100
Durham, NC 27701
(919) 433-3345:Office
cparker@piedmontinvestment.com
www.piedmontinvestment.com

Underlying Managers for Progress

Redwood Investment-SCC

1 Gateway Center, Ste 802
Newton, MA 02458
(617) 467-3000

Denali Advisors, LLC

4275 Executive Square, Suite 650
La Jolle, CA 92037
(858) 558-3600

Ativo Capital Management

11 South LaSalle Street, Ste 820
Chicago, IL 60606
(312) 263-7600

Palisades Investment Partners, LLC

1453 3rd Street Promenade Suite 310
Santa Monica, CA 90404
(310) 656-6300

Apex Capital Management-LCG

8163 Old Yankee Street, Suite E
Dayton, OH 45458
(937) 428-9222

GW Capital Management

10900 NE 8th Street, Ste 1010
Bellevue, WA 98004
(425) 455-4551

MarVista Investment Partners-LCG & MCG

100 Wilshire Blvd, Suite 1000
Santa Monica, CA 90401
(310) 917-2800

Atlanta Life Investment Advisors-LCV

100 Suburn Avenue NW
Atlanta, GA 30303
(404) 659-2100: Office

Profit Investment Management

8401 Colesville Road
Silver Spring, MD 20910
(301) 650-0608

NCM Capital Management

2634 Durham-Chapel Hill Blvd
Durham, NC 27707
(919) 688-0620

Fortaleza Asset Management-LCG

30 N. LaSalle Street, Suite 1526
Chicago, IL 60602

Underlying Managers for Attucks Asset Management

Apex Capital Management-LCG

8163 Old Yankee Street, Suite E
Dayton, OH 45458
(937) 428-9222

Fortaleza Asset Management-LCG

30 N. LaSalle Street, Suite 1526
Chicago, IL 60602

Atlanta Life Investment Advisors-LCV

100 Suburn Avenue NW
Atlanta, GA 30303
(404) 659-2100: Office

Lombardia Capital Partners-MCV & SCV

55 South Lake Street, Suite 750
Pasadena, CA 91101
(626) 568-2792: Office

Campbell Newman Asset Management-LCG

12080 N. Corporate Parkway, Suite 130
Mequon, WI 53092
(262) 243-7000: Office

MarVista Investment Partners-LCG & MCG

100 Wilshire Blvd, Suite 1000
Santa Monica, CA 90401
(310) 917-2800

Decatur Capital Management-LCG

250 E Ponce de Leon Avenue, Ste 325
Decatur, GA 30030
(404) 270-9838: Office

Nicholas Investment Partners-MCG

P.O. Box 2828
Del Mar, CA 92014
(858) 381-8181

Paradigm Asset Management Co-LCV

445 Hamilton Avenue
White Plains, NY 10601
(212) 771-6100

International Equity

Earnest Partners

Mr. Christy Jordan, Manager
1180 Peachtree Street, Suite 2300
Atlanta, GA 30309
(404) 815-8772:Office
chadcrawford@earnestpartners.com
www.earnestpartners.com

United Investment Managers

Ms. Yolanda Waggoner-Foreman, Principal
10 South LaSalle Street, Suite 1380
Chicago, IL 60603
(312) 332-4751:Office
ywaggoner@unitedim.com

Underlying Managers for United Investment Managers

Mattahorne Capital Management

1 Gateway Center, Ste 802
Newton, MA 02458
(617) 467-3000

Ativo Capital

11 South LaSalle Street, Ste 820
Chicago, IL 60606
(312) 263-7600

Brown Capital

8163 Old Yankee Street, Suite E
Dayton, OH 45458
(937) 428-9222

GlobeFlex Capial

100 Wilshire Blvd, Suite 1000
Santa Monica, CA 90401
(310) 917-2800

Atlanta Life Investment Advisors

100 Suburn Avenue NW
Atlanta, GA 30303
(404) 659-2100: Office

Boston Common Asset Management

84 State Street, Suite 1000
Boston, MA 02109
(617) 720-5557: Office

Fixed Income Managers

LM Capital Group, LLC

Ms. Jean Lacaeyse, Vice President

401 B Street, Suite 950

San Diego, Ca 92101

(619) 814-1401:Office

jlacaeyse@lmcapital.com

www.lmcapital.com

Private Equity Managers

ICV Capital Partners

Djena Graves Lennix, Director of Business Development
666 Third Avenue, 29th Floor
New York, NY 10017
(212) 455-9644
dgraves@icvcapital.com
www.icvcapital.com

Syncom Venture Partners

Robert Greene, Principal
8515 Georgia Ave., Suite 725
Silver Spring, MD 20910
(301) 608-3203
rgreene@syncom.com
www.syncom.com

Hispania Capital Partners, LLC

Victor Maruri, Managing Partner
311 S. Wacker Drive, Suite 4200
Chicago, IL 60606
(312) 697-4611
vmaruri@hispaniapartners.com
www.hispaniapartners.com

Muller and Monroe Asset Management, LLC

Andre Rice, Managing Partner
180 N. Stetson Ave., Suite 1320
Chicago, IL 60601
(312) 782-7771
andre.rice@m2am.com
www.m2am.com

Pharos Capital Group, LLC

Mr. Kneeland Youngblood, Managing Partner
300 Crescent Court, Suite 1380
Dallas, TX 75201
(214) 855-0194
kyoungblood@pharosfunds.com
www.pharosfunds.com

Real Estate

Capri Capital Partners LLC

Elizabeth Wohlleb, Vice President
875 N. Michigan Avenue, Suite 3430
Chicago, IL 60611
(312) 676-4160
ewohlleb@capricapital.com
www.capricapital.com

DV Urban Realty Partners

Jared Davis, Vice President
3619 S. State Street, Suite 400
Chicago, IL 60609
(312) 881-9994
jd@dvurban.com

UrbanAmerica LP

Thomas Kennedy, Chief Financial Officer and Chief Operating Officer
30 Broad Street
New York, NY 10004
(212) 612-9099
tkennedy@urbanamerica.com
www.urbanamerica.com

REITS

Adelante Capital Management LLC

Bonnie Miller, Principal
555 12th Street, Suite 2100
Oakland, CA 94607
(510) 986-2125
bmiller@adelante.com
www.adelante.com



Chicago Teachers' Pension Fund

CHICAGO TEACHERS' PENSION FUND
FIDUCIARY, STAFF, AND VENDOR DIVERSITY
DECEMBER 31, 2009



Chicago Teachers' Pension Fund

**PUBLIC SCHOOL TEACHERS' PENSION
AND RETIREMENT FUND OF CHICAGO
DIVERSITY POLICY**

EFFECTIVE JANUARY 1, 2010

PRINCIPLES:

The Public School Teachers' Pension and Retirement Fund of Chicago ("Fund") is governed by the laws of the State of Illinois.

The Fund desires to establish a policy that sets forth goals to be reviewed annually for the utilization of Minority Owned Businesses, Female Owned Businesses, and Businesses Owned by a Person with Disabilities, as defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, 30 ILCS 575/0.01, *et seq.* ("MWDBE"), for all contracts and services.

The Fund desires to establish a policy that sets forth goals to be reviewed annually to increase the racial, ethnic, gender, and disability diversity of its Fiduciaries as Defined by the Pension code, its Consultants, Service Providers and staff.

NOW THEREFORE, IT IS HEREBY RESOLVED THAT:

The Fund is committed to: diversity in all hiring, employment, and contracting decisions; advancing and increasing the diversity of the Fund's Fiduciaries; Consultants, Service Providers and Staff, and providing opportunities for minorities, women, and persons with a disability to have a meaningful role at the Fund.

It shall be the Fund's policy, pursuant to the law, and subject to the fiduciary responsibilities set forth in the Pension Code and applicable federal and state laws prohibiting discrimination, to expend all reasonable and prudent efforts to utilize the services of persons who are collectively diverse based on race, ethnicity, gender and disability, with the goal of increasing such utilization over time. This policy shall be reviewed annually.

Resolved December 10, 2009

Chicago Teachers' Pension Fund Diversity Policy

Fiduciary, Consultant, Procurement, and Staff Diversity Goals and Guidelines

Public School Teachers' Pension Fund and Retirement Fund of Chicago (CTPF) is an Equal Opportunity Employer and fully embrace the public policies of the State of Illinois regarding the benefits of inclusion and diversity.

Commitment to Diversity:

CTPF has historically demonstrated its commitment to diversity and has been at the forefront among state pension and retirement systems in assuring access and opportunities to minorities and women. CTPF supports the public policy considerations of the State of Illinois codified in SB364 (Public Act 96-0006) which mandates establishment of incremental goals for the inclusion of minority, female, and disabled persons when pension funds recruit staff and seek services. Accordingly, CTPF establishes this Diversity Policy which broadly encompasses diversity considerations in the recruitment of staff, consultants, fiduciaries and other providers of goods and services and sets specific goals to be reviewed annually.

The Goal of CTPF's Diversity Policy is that CTPF be recognized by employees, service providers, members and the public as an inclusive organization that places a high value on diversity.

This Statement of Diversity Policy serves the following purposes:

- Provides a written document of the Board's commitment to diversity in the recruitment of staff, and utilization of fiduciaries and service providers to the Fund.
- Establishes objectives and guidelines for Trustees, management and staff to achieve CTPF's diversity goals in the recruitment of staff, and retention of fiduciaries and service providers.

- Outlines procedures to provide notice and equal access to information regarding employment and contract services to the Fund, and insure equitable opportunities for minorities, women, and disabled persons seeking employment or to provide goods and services to the Fund.
- Establishes the 4 northeast counties of the state of Illinois as CTPF's recruitment area for purposes of staff.

The statement is intended to be dynamic in nature and will be updated and revised as appropriate to reflect the Board's incremental achievement of diversity goals.

Governing Law: Provisions, procedures, and all agreements for the rendering of services to the Public School Teachers' Pension and Retirement Fund of Chicago are subject to the Illinois Pension Code, [40 ILCS 1, 5, and 17), Public Act 96-06 and the Ethics Policy of the Chicago Teachers' Pension Fund which extend and apply to all potential and selected service providers.

Diversity of the Board of Trustees:

Governance of the pension fund rests with the diverse 12 member Board of Trustees. 10 trustees are elected and 2 are appointed by the primary employer. The composition of the Board of Trustees as of November 30, 2009 is shown in Table 1 below.

Table 1

| | <u>Gender</u> | | <u>African Am.</u> | <u>Race/Ethnicity</u> | | |
|-----------------|---------------|----------|------------------------|-----------------------|-----------|----------|
| | Female | Male | | Asian | Caucasian | Latino |
| Trustees | 6 | 6 | 3 | 0 | 7 | 2 |

Due in large part to its own diversity, the Board of Trustees of the CTPF is particularly cognizant of the value of diversity and inclusion and adopts this staff recruitment policy to reflect its commitment.

Staff Diversity Policy:

CTPF currently has a diverse work force as depicted in Table 2 and Table 3 below.

Table 2. Staff Diversity: Position, Gender and Ethnicity

| Staff | <u>Gender</u> | | <u>African Am.</u> | <u>Race/Ethnicity</u> | | |
|-----------------------|---------------|-----------|------------------------|-----------------------|-----------|----------|
| | Female | Male | | Asian | Caucasian | Latino |
| Sr. Management | 1 | 1 | 1 | 0 | 1 | 0 |
| Management | 4 | 1 | 2 | 0 | 3 | 0 |
| Supervisory | 3 | 1 | 0 | 1 | 2 | 1 |
| Professional | 0 | 1 | 0 | 0 | 1 | 0 |
| Technical | 0 | 2 | 0 | 0 | 2 | 0 |
| Clerical | 50 | 8 | 22 | 5 | 25 | 6 |
| Total | 58 | 14 | 25 | 6 | 34 | 7 |

Table Data as of November 1, 2009

Table 3 Staff Diversity: Gender and Ethnicity

| Classification | Female | Male | Female | Male | Total |
|-------------------------|---------------|-------------|---------------|--------------|--------------|
| African American | 23 | 2 | 39.7% | 14.3% | 34.7% |
| Asian | 6 | 0 | 10.3% | - | 8.3% |
| Caucasian | 24 | 10 | 41.4% | 71.4% | 47.2% |
| Latino | 5 | 2 | 8.6% | 14.3% | 9.7% |
| Total | 58 | 14 | | | |

Table Data as of November 1, 2009

Goal: It is CTPF's goal is to develop a workforce that more closely reflects the minority and female demographics of the CTPF's metropolitan Chicago recruiting area. The metropolitan recruiting area includes Cook, DuPage, Lake, and Will counties in Illinois.

Table 4

| | CTPF Current | | Metro Recruiting Area Ratio |
|------------------|---------------------|--------------|------------------------------------|
| | Headcount | Ratio | |
| African American | 25 | 35% | 12.1% |
| Asian | 6 | 8% | 6.4% |
| Caucasian | 34 | 47% | 79.8% |
| Latino | 7 | 10% | 17.5% |
| Female | 58 | 81% | 50.3% |
| Male | 14 | 19% | 49.7% |

Table Data as of November 1, 2009

Staff Diversity Recruitment Guidelines: Management is directed to pursue diversity in the future recruitment of staff that contributes to the goal of a workforce that reflects area demographics.

The Board of Trustees recognizes that knowledge and understanding of the need and benefits of diversity is the cornerstone of a successful diversity strategy and towards that end it shall be the policy of the Fund to encourage and provide Diversity Training to Human Resources and management staff.

The Board of Trustees recognizes that achievement of the Fund's diversity goals is contingent upon the Fund gaining exposure to a large and broad pool of qualified candidates. To achieve exposure to the largest possible group of qualified candidates, the following shall be the policy of the Fund relative to recruitment:

- (i) All positions shall be advertised in-house for a period of no less than two weeks to allow all internal staff applying and meeting the minimum posted requirements for a new or vacant position to be interviewed for those positions.
- (ii) No external interview shall take place prior to the completion of the interview of all internal applicants/candidates.
- (iii) When no internal candidate applies for, and/or no internal candidate is identified as the best candidate for a position, CTPF shall expand the pool of candidates or increase its exposure to more candidates by:
 - a. Announcing the vacancy, posting the job description, and soliciting application and resumes from qualified individuals on the Fund's website.
 - b. Posting or advertising the vacancy in appropriate trade or other periodicals,
 - c. Posting or advertising the vacancy on major on-line or web based employment search sites and university placement offices, where appropriate.

d. Considering referrals of qualified candidates from internal staff.

(iv) In all cases, CTPF will seek to hire the best qualified candidate for each position.

(v) When two or more candidates have comparable qualifications for a position, CTPF will seek to hire the qualified candidate that lends to achievement of the State of Illinois' public policy goals and the Fund's diversity goals.

Diversity Procurement and Purchasing Policy:

CTPF fully supports the public policy considerations of SB364 (Public Act 96-0006) which among other provisions mandates establishment of procurement policies by all major public pension funds in Illinois that promote inclusion and diversity. The law also mandates establishment of incremental goals for the inclusion of minorities, females, and disabled persons when pension funds seek fiduciaries and services.

Policy Objectives

The overriding objective of the CTPF diversity policy is to ensure that minorities, females and disabled persons are provided an equal opportunity to provide services to and do business with CTPF.

Diversity Policy Objectives promote and ensure:

- Prospective service providers competing to become employed by CTPF have an equal opportunity to compete and access to information regarding the search parameters;
- Fair competition among qualified fiduciaries and service providers;
- Communications related to the selection are accessible, consistent and accurate;
- The process of selecting service providers is efficient, diligent, and fair;
- Transparency in the process of selection and retention of service providers.

Fiduciaries and Service Providers

| Service | Expenses | MWDBE Status and Allocation | |
|---|---------------------|--|--------------|
| Actuarial Services | 60,500 | | |
| Independent Auditor | 253,500 | | |
| Investment Consulting and Services | | | |
| Master Custodian | 500,000 | | |
| Investment Consulting | 360,000 | | |
| Real Estate Investment Consulting | 160,000 | | |
| Health Insurance Consulting | 40,000 | | |
| Legal Services | 197,600 | | |
| Information Services Consulting | 776,200 | WBE | 3.23% |
| Communications and Publications | 133,000 | WBE | 4.38% |
| Printing | 80,900 | | |
| Document Processing and Mailing | 187,500 | | |
| Election Administration | 160,000 | | |
| Legislative Lobbyists | 127,138 | MBE | 1.79% |
| Total | \$3,036,338 | | |
| Total MWDB Participation | 285,582 | | 9.41% |
| Total Investment Manager Fees | \$32,595,018 | | |
| Total Investment Fees Paid to MWDB managers. | \$7,443,815 | | 23% |

Table Data as of June 30, 2009

Of those currently providing services to CTPF, minorities and female businesses received 9.4% of the business expenditures made by the fund for goods and services, and 22.7% of the expenditures made to investment managers.

Goal: It is CTPF's goal is to have 20% of all fund expenditures for fiduciaries, suppliers, consultants and service providers paid to firms owned by minorities, females and persons with disabilities in 2010. This goal is comparable to the percentage of investment related allocations to MWDBE investment professionals.

Policy Guidelines below apply to the future selection of all fiduciaries and service providers.

Formal Bid Process:

Procurement of all goods and services budgeted or proposed individually or in the annual aggregate for an amount in excess of \$25,000, shall be subject to a formal bid process including:

- (1) Announcement of issuance of a Request for Proposals in appropriate trade journals and periodicals as applicable and when possible
- (2) Issuance of a formal Request for Proposals in the format appropriate for the goods or services being sought and including all selection criteria to be considered in evaluation of proposals.
- (3) Formation of a Proposal Evaluation Committee, made up of organizational stakeholders in the goods or services being sought , which shall develop criteria and an objective tool for proposal evaluation.
- (4) Posting of the formal Request for Proposals on the Fund's website
- (5) Observance of a quiet period during which communications with potential providers is limited.
 - A quiet period will commence upon the initiation of a search for goods or services and end once a selection has been made by the Board and accepted by the service provider.
 - Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations
 - All Board members, and Staff not directly involved in the search process, shall refrain from communicating with provider candidates

regarding any product or service related to the search offered by the candidate throughout the quiet period and shall refrain from accepting meals, travel, hotel, or other value from the candidates.

- Throughout the quiet period, if any Board member is contacted by a candidate, the Board member shall refer the candidate to CTPF Staff directly involved in the search process.
 - Authority related to the search process shall not be exercised by management or by individual staff members, but shall be exercised solely by the bid evaluation committee.
 - All information related to the search process shall be communicated by Staff to the relevant Committee as a whole, and not to individual staff members
 - The quiet period does not prevent due diligence, or communications with an existing service provider that happens to be a candidate in the ordinary course of services provided by such service provider; however, discussions related to the pending selection shall be avoided during those activities.
 - The provisions of this policy will apply to service provider candidates throughout the quiet period and shall be communicated to candidates in conjunction with any Request For Proposal or Request For Information
 - A service provider may be disqualified from a search process for a knowing violation of this policy.
- (6) Evaluation of submitted bids by the Proposal Evaluation Committee by use of an objective evaluation tool.
 - (7) Submission of a statement of due diligence and recommendation to the Board of Trustees by CTPF management and staff.
 - (8) Approval of selected service provider by the Board of Trustees.
 - (9) Retention in the organizational archives of all materials distributed, created, collected and evaluated in the search process for a period of at least 5 years.

Contract Duration:

The duration of contracts for services made pursuant to the formal bid process shall be limited to an initial three year period. At the end of the initial three year period, the services shall be re-bid using the formal bid process.

Informal Bid Process:

Procurement of all goods and services budgeted or anticipated individually for an amount between \$10,000 and \$24,999 shall be subject to an informal bid process including but not limited to:

- (1) Development of a Needs, Requirements and Evaluative Criteria document prior to the initiation of discussion with potential providers or issuance of a request for information.
- (2) Posting of a Request for Information on the fund website.
- (3) Documentation of the need for services, criteria used in the evaluative process, and basis for selection of a particular vendor or service provider.
- (3) Retention in the purchasing records of CTPF of all written materials for a period of at least 5 years.

Service Agreement Duration:

The duration of contracts for services made pursuant to the informal bid process shall be limited to an initial three year period. At the end of the initial three year period, the services shall be re-bid using the informal bid process.